THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 4/30/2019
GAIN Report Number: BU1919

Bulgaria

Post: Sofia

Food Processing Ingredients Bulgaria

Report Categories:
Food Processing Ingredients
Approved By:
Jonn Slette, Agricultural Attaché
Prepared By:
Alexander Todorov, Marketing Specialist

Report Highlights:
The food processing industry in Bulgaria accounts for about 20 percent of the country's industrial output. Bulgaria produces dairy products, confectionery products, meat and meat products, bakery products, fruits and vegetables, and fish and seafood products. More than 6,300 companies operate on the market and nearly half of them are located in the southcentral and southwestern regions. Associated U.S. ingredient and/or other products with good sales potential in Bulgaria include tree nuts, peanuts, dried fruits, pulses, beef, prepared foods, soft drink concentrates, snack food ingredients, and seafood products.

Market Fact Sheet: Bulgaria

Executive Summary
Bulgaria continues its transition into a market economy and Government of Bulgaria intervention in foreign investment and trade is decreasing. In the last three years, GDP grew by over three percent annually. Exports generate almost 50 percent of Bulgaria's GDP and are a pillar of the country's economy. Today, EU Member States are Bulgaria's primary trading partners, although there are significant balance of trade variations between the different Member States. In 2018, Bulgaria had a trade deficit in goods of about €3.9 billion ($4.4 billion). Agriculture makes up about four percent of Bulgaria's GDP.

SWOT Analysis	
Strengths	***Weaknesses***
Bulgarian market is accessible by sea and has an efficient domestic distribution network. Growing food processing industry is looking for new imported ingredients. Low marketing cost.	U.S. products are disadvantaged because of duties versus products from EU Member States and countries with EU free trade agreements (FTA).
Opportunities	***Threats***
Growing incomes, increasing demand for high-value products, fast developing food retail network, consumption habits changing towards high-quality food and drinks.	Bulgarian domestic producers are receiving European funding to upgrade production efficiency and product quality which decreases the demand for imports.

Imports of Consumer-Oriented Products
Goods imported into the EU must meet the EU sanitary and phytosanitary requirements. For more information, please refer to FAS Sofia's latest Food and Agricultural Import Regulations and Standards (FAIRS). In 2018, Bulgaria imported consumer-oriented agricultural products for 2.18 billion (an increase of 9.3 percent over 2017). Over 83 percent of these originated from other EU member states.

Food Processing Industry
Bulgaria's Food Processing Industry is developing rapidly and accounts for about 20 percent of total industrial production. More than 6,300 companies are operating on the market, employing nearly 100,000 people. Leading food industry sectors - dairy production and processing, sugar, chocolate, and confectionery, meat processing, bakery and confectionery, sunflower oil, red meat, poultry & eggs, soft drinks, fruits & vegetables processing, and wine production.

General Information:

Food Retail Industry
Bulgarian food retail sales reached $6.6 billion in 2017. The sales in modern trade channel accounted for $3.5 billion (53 percent) and $3.1 billion in traditional channel. Total outlets: 41,872. Grocery retailing grew in 2017 due to improved consumer confidence and labor market. The two increases of the minimum wage introduced in 2018 (11 percent in 2018 and 10 percent in 2019) is another growth driving factor. The number one retailer Kaufland accounted for 18 percent of sales of top 100 retailers. Internet grocery retailing is developing slowly but is still not very popular. The increasing demand for high-quality healthy food is emerging as a result of increasing health consciousness of the urban consumers.

Food Industry Output - Turnover	4.9
Food Exports – Agricultural Total (2017)	4.17
Food Imports – Agricultural Total (2017)	3.14
Retail	6.6
Food Service	3.4

1) Kaufland
2) Metro Cash & Carry
3) Lidl
4) Billa
5) Fantastico
6) Tabak Market (Lafka)
7) Maxima (T-Market)
8) CBA
9) Lagardere Travel Retail
10) Avanti 777

Remark: Food and Retail Industry data not available at the time of submission of this report.

Data and Information Sources: Euromonitor, GTA, Local sources
Contact: AgSofia@fas.usda.gov

SECTION I. MARKET SUMMARY

Bulgaria is growing economically and is a stable European Union (EU) member state. It is an increasingly important market because of its geographical location and Black Sea port access, its developing food and agricultural sectors, and improving infrastructure. EU membership significantly altered Bulgarian regulations and trade flows with other member states vis-à-vis food and agricultural products. Although some pre-EU opportunities for U.S. exporters have disappeared (*e.g.* poultry), many other post-EU opportunities have significantly expanded. In general, Bulgarian imports of agricultural products and food from the United States will increasingly resemble U.S. exports to other EU markets and become progressively more consumer-oriented and high-value.

Although Bulgaria's economy is projected to continue to grow in coming years (albeit at more moderate levels), relatively low consumer incomes continue to limit prospects for many high-value U.S. imports. U.S. food ingredient products compete with similar imports from other EU members and increasingly from local production, which is growing as a result of foreign direct investment (FDI) in the food-processing sector.

The Food Processing Industry in Bulgaria

Food and beverage processing accounts for about 20 percent of Bulgaria's total industrial production. Bulgaria produces dairy products, confectionery products, meat and meat products bakery products, fruits and vegetables, fish and seafood, and other products. Over 6,300 companies are operating on the market and nearly half of them are located in the southcentral and southwestern regions. Major companies include Coca-Cola Hellenic Bottling Company, Oliva, Mondelez Bulgaria, Ficosota, Bella Bulgaria, Pilko, Chipita Bulgaria, Zagorka, and others.

Bulgaria's leading agricultural trading partners are other EU markets, chiefly Germany, Poland, Romania, Greece, and the Netherlands, neighboring countries like Turkey, Serbia, and Ukraine, as well as China. Over 85 percent of agricultural imports are sourced from other EU countries.

Key Market Drivers and Consumption Trends

Important sectors within Bulgaria's food processing industry are dairy production and processing, chocolate and confectionary, bakery, meat, edible oils, poultry and eggs, non-alcoholic beverages, flour, horticultural processing, beer, sprits, and wine production.

Organic products are increasingly important for Bulgarian consumers. Continued economic growth in 2019 and 2020 and increasingly stabile consumer incomes will drive interest in organic and health food products. For more information about the Bulgarian organic products market, please refer to FAS Sofia's latest Organic Market Update GAIN report.

Advantages and Challenges for U.S. Food Processing Ingredients

Advantages	Challenges

Increase in consumption of food and edible fishery products is creating demand for more imports.	Strong competition from EU exporters that are able to provide commodities in smaller volumes, thus reducing pressure of high stocks on the buyers' cash flow.
The Bulgarian retail market is expanding, offering more consumers access to modern retail options.	Lower purchasing power of the average Bulgarian and the size of the local market limit U.S. exports of higher-value products.
Growing food-processing industry is looking for new imported food ingredients.	EU regulation and tariffs give preferential access to products from EU countries. U.S. exporters face competition from tariff-free products from other EU countries.
The range of U.S. food ingredients and products, effectively capable of satisfying demand across different consumer income levels. Brand recognition, particularly with consumer-ready products, is a particular strength in the Bulgarian market.	Non-tariff barriers such as phytosanitary restrictions and traceability requirements can make exporting to Bulgaria complicated.
The U.S. reputation as a reliable supplier of food inputs in terms of availability, delivery and quality. Marketing costs to increase consumer awareness are low.	Preference of U.S. companies to work with EU distributors responsible for certain European regions and exclusion of local importers who would like to engage in direct import from United States.
Bulgarian consumer confidence in U.S. products due to the very well established U.S. food safety regulatory system.	Differences between U.S. and EU production systems for beef, pork and poultry keep some products out of the EU market. Some products of modern biotechnology are prohibited.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

U.S. companies seeking to export to Bulgaria are advised to research the market. USDA's Foreign Agricultural Service (FAS) offers U.S. suppliers a number of valuable services to support their market entry strategies. Please visit USDA's Global Agricultural Information Network (GAIN) to view relevant FAS Attaché Reports. Also contact the Office of Agricultural Affairs (OAA) in Sofia with any specific questions. U.S. companies should also consider attending one of Europe's many USDA endorsed trade shows. Other regional trade shows, including Inter Food and Drink, Bulgaria's largest annual food and beverage trade show, may also be viable options. Trade shows can serve as a springboard into the market and help companies to establish new trade contacts and gauge product interest.

U.S. exporters can also get market information from their respective U.S. State Regional Trade Groups (SRTG), commodity Cooperator Groups and State Departments of Agriculture. For more information, contact the SRTG responsible for your state here.

Import Procedure and FAS Attaché Reports

FAS Attaché reports published by FAS Sofia for new-to-market exporters to Bulgaria are:

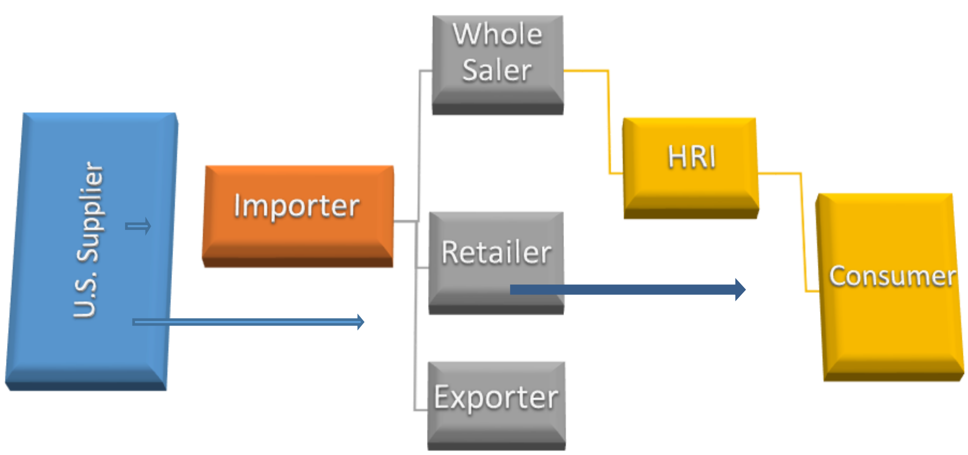
- The Exporter Guide explains about the macro-economic situation, demographic trends, food trends, offers market-specific tips, and shares overviews of the food retail and HRI sectors;
- The Import Regulations and Standards (FAIRS) reports provide an overview of import regulation standards and required health and origin certificates (FAIRS Export Certificate Report);
- The Retail Market Report gives an overview of the Bulgarian food retail market;
- The Hospitality Restaurant Institutional Food Service (HRI) in Bulgaria report provides an overview of market opportunities and key channels of distribution for U.S. food and beverage products destined for the food service market in Bulgaria;
- The Organic Market Update gives an overview of the organic food market in Bulgaria;
- The Fish and Seafood Market Brief provides information about Bulgaria's fish and seafood market. It provides an overview of market opportunities and key information and statistics about production, imports, exports, and main EU regulations.
- For information on the Bulgarian market, trade shows, and other marketing opportunities in Bulgaria, contact the OAA in Sofia. See contact information at the end of this report.

Market Structure

Bulgarian supply chains for food ingredients can vary significantly, depending on the product. Most small- and medium-sized processors use local products, while the bigger ones buy from both local producers and foreign suppliers. Retailers usually purchase directly from the processor or the buying organization. Many of them also work directly with foreign suppliers. The HRI sector may purchase directly from a wholesaler whereas smaller HRI outlets generally purchase products from cash and carry operations.

U.S. food ingredients exporters usually enter the Bulgarian market through local specialized ingredients importers. These importers typically also promote the products to the end users. U.S. products that already entered the Bulgarian market have established reputations as high quality, but since some of them are positioned in the high-end segment, the competition from local and products from other EU countries on the price driven Bulgarian market is very strong.

Chart 1: Supply Chain Chart



Consumer foodservice sales increased by almost seven percent in 2017 and number of foodservice outlets grew to 39,622. Food processors adapt to new trends and offer foodservice operators new products that meet consumer preferences. Many operators are increasingly focusing on health and wellness trends, as well as other evolving consumer preferences. Competition among foodservice outlets is intensifying, with local and imported products competing for market share. Competition is likely to focus on the quality of products and services (regular daily supplies, variety in pack sizes, price promotions, and the renewal of portfolios). Foreign companies tend to concentrate on higher value-added products, such as dairy-based and ice cream desserts, soup, ready meals and sauces, while domestic companies tend to compete effectively in dairy, bakery, processed meat, and oils and fats. For more information about other food-processing sectors in Bulgaria please contact the OAA in Sofia, Bulgaria.

Company Profiles (2017 data)

Note: Average 2017 Exchange rate $1.00 =1.63 Bulgarian leva (BGN). Source: Bulgarian National Bank

Milk Processing – Milk processing is a leader in value sales with 2017 sales at about BGN 823 million ($505 million), up 17 percent over 2016. The top 25 companies maintain 67 percent of market share.

Top Five Milk Processing Companies in Bulgaria

Company	Annual Turnover Million BGN	Annual Turnover Million U.S. $
OMK AD	80.9	49.6
Tirbul EAD	62.6	38.4
Dimitar Madzharov-2 EOOD	48.8	29.9
Schreiber Foods (Danone)	45.9	28.2
Megle Bulgaria EOOD	29.5	18.1

Source: Regal Magazine based on official annual reports

Sugar, Chocolate Products, and Confectionery – 254 companies with top five companies holding almost 68 percent of the market. The annual turnover in the sector is BGN 818 million ($502 million), up nine percent over 2016. The industry is dominated by foreign companies - Mondelez Bulgaria (former Kraft Foods) and Nestle Bulgaria, holding about 48 percent of the market. The export share is growing from 22 percent in 2016 to almost 40 percent in 2017. In chocolate confectionery the penetration of private label lines in retail, most notably of Lidl, Kaufland, and Billa, will bring additional price pressures and consumers are expected to make more purchases at lower price points. The expected volume performance in sugar confectionery is seen to be a result of interest in new products and continuing new product development.

Top Five Confectionery Companies in Bulgaria

Company	Annual Turnover Million BGN	Annual Turnover Million U.S. $
Mondelez Bulgaria Production	272.5	167.2

EOOD		
Nestle Bulgaria AD	124.2	76.2
Prestige 96 AD	68.9	42.3
Zaharni Izdelia Varna EOOD	59.7	36.6
Den I Nosht Ltd	30.1	18.5

Source: Regal Magazine based on official annual reports

Meat Processing – Bulgaria's processed meat production in 2017 is valued at about BGN 746 million ($458 million), up 10 percent over 2016. 73 percent of production was salami products, followed by salted, dried, and smoked meat, and prepared food from meat. Exports accounted only about four percent of the industry's turnover, and mainly targeted ethnic consumers in foreign markets. There are 198 meat-processing companies, of which 17 achieve an annual turnover in excess of BGN 10 million, which makes the competition fierce. The five-largest companies hold more than 38 percent of the market.

Top Five Meat Processing Companies in Bulgaria

Company	Annual Turnover Million BGN	Annual Turnover Million U.S. $
Bella Bulgaria AD	119.8	73.5
Ken AD	53.9	33.1
Mesokombinat Lovech (Boni Holding)	51.3	31.5
Delikates 2 Ltd	30.9	19.0
Karol Fernandez Meat	30.6	18.8

Source: Regal Magazine based on official annual reports

Food Standards and Regulations

Bulgarian food safety and marketing standards and regulations are harmonized with the EU. Phytosanitary and sanitary control is applied to imported and exported goods with plant and animal origin. For each stage of the food chain from the plant and animal products to the final customer there are EU harmonized requirements for working conditions and hygiene.

For more information on labeling requirements, food regulations, and standards, including new requirements for organic products, please see OAA Sofia's FAIRS Report or refer to the OAA in Sofia. Additional information can also be found on the European Food Safety Agency and Bulgarian Food Safety Agency websites. Also, check the U.S. Mission to the EU webpage.

SECTION III. COMPETITION

The main competitors for U.S. suppliers include producers in other European countries such as Germany, Poland, Romania, Greece, Netherlands, Spain, and Italy. Key country competitors listed by product category can be found in the following table. Top non-EU competitors are Turkey, Serbia, Ecuador, Macedonia, Ukraine, China, and New Zealand.

Market Competition for U.S. exports

Product	Major Suppliers	Market Summary

Dried fruits and nuts (including peanuts)	U.S., Argentina, Nicaragua, Greece, Turkey, Vietnam, Brazil, China.	Lower prices from competitive countries. However, U.S. products dominate in almonds and pistachios due to quality.
Dry legumes (peas, lentils and beans)	Kyrgyzstan, Egypt, Ethiopia, Argentina, Canada, Turkey, Mexico, Russia.	Bulgaria imports almost all dry legumes (beans, lentils, peas, and chickpeas). Competitors offer lower prices. U.S. advantages are better quality and variety.
Beef	Italy, Poland, Netherlands, Romania, Germany, Spain.	Big portion of U.S. beef is transshipped to Bulgaria via Netherlands and other EU member states. U.S. beef is higher quality but less price competitive.
Fish and seafood	Greece, Denmark, Spain, Canada, Czech Republic, Netherlands, Sweden.	EU suppliers (and Canada, after CETA) are price competitive and able to supply fresh fish and seafood varieties demanded by local consumers.
Sauces, salad dressings and seasonings	EU and United States	Price competitive and no custom duties. The U.S. suppliers provide a variety of regional sauces.
Canned fruits and vegetables	Greece, Romania, Germany, Turkey, Poland, Belgium.	Price competitive. No duties for EU imports.
Ready-to-eat meals	EU countries and China	Imports are at competitive prices.
Wine	France, Italy, New Zealand, Germany, Spain.	Price competitive since no duties inside the EU. Quality creates opportunities for U.S. wines.
Rice	Myanmar, Greece, China, Italy, Cambodia, India	Myanmar, China, Cambodia, and India offer quality and low price products. Biotech testing is a constraint.
Fresh fruits (including grapefruits & exotic fruits	Turkey, Greece, Ecuador, Germany, Macedonia, Poland.	Preference is given to EU suppliers and neighborhood countries due to special tariff rates.

Source: FAS Sofia and Global Trade Atlas

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products in the market with best sales potential

- Distilled Spirits – stable market with a large assortment of brands.
- Nuts/Tree Nuts and Dried Fruits – strong demand for almonds, pistachio, and peanuts. Demand for cashew, pecan, and walnuts is growing too.
- Snacks/Cereals - U.S. companies face stiff competition from EU producers. Popcorn comprises the bulk of U.S. snack food imports. Local consumers perceive U.S. products as being of high quality and competitive prices. U.S. microwave popcorn, breakfast cereals, and some types of confectionery products are the most popular.
- Beef - U.S. prime beef is increasingly popular at high-end restaurants and is expanding its market presence due to the growth of the food-service sector.
- Fish and Seafood - Bulgaria is a net importer of fish and seafood, chiefly frozen (squid, hake,

scallops, mackerel, salmon, and pollock) and also lobsters and other higher-end shellfish.

- Pulses (dried beans and lentils) - Bulgaria's pulse market is well developed with favorable demand and high per capita consumption. Prospects are very good due to increasing product diversification on the market and developing of consumer taste towards more higher-value pulses and new products.

Products in the market with good sales-growth potential - fruit juices and soft drinks (including flavored spring waters; fresh fruits including grapefruits and exotic fruits; ethnic products; soups; ready-to-eat meals; ethnic/regional sides or meals; salad dressings; tomato sauces; spices; specialty beer; chocolate; frozen desserts (such as cakes and ice creams).

Products not present in significant quantities with good sales-growth potential - ingredients for the natural and healthy foods industry; dairy products (whey, milk powder).

Products not present because they face significant boundaries - food additives not approved by the European Commission; red meat and meat products with hormones; most poultry and eggs; biotech-derived products.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

If you have questions or comments regarding this report, or need assistance exporting to Bulgaria, please contact the U.S. Office of Agricultural Affairs in Sofia.

Office of Agricultural Affairs
16 Kozyak Str., Sofia 1408, Bulgaria
Tel: (359) 2-939-5774; (359) 2-939-5720
E-mail: agsofia@fas.usda.gov
Website: https://bg.usembassy.gov/embassy/sofia/sections-offices/foreign-agricultural-service/

Bulgarian Central Authority Agencies
Ministry of Agriculture and Food
Blvd. Hristo Botev 55 Sofia 1040 Bulgaria
Tel: (359) 2-985-11858; Fax: (359) 2-981-7955
Website: http://www.mzh.government.bg

Bulgarian Food Safety Agency
Bul. Pencho Slaveikov 15A, Sofia 1606, Bulgaria
Tel: (359) 2-915-98-20 Fax: (359) 2-954-9593
E-mail: bfsa@bfsa.bg Website: http://www.babh.government.bg/en/

Major Bulgarian Food Processing Trade Associations
Bulgarian Association of Dairy Processors

Zh.K. Lagera bl. 44 ent. A Sofia 1612 Bulgaria
Tel: (359) 2-953-2723 Fax: (359) 2-952-3265
E-mail: bam@milkbg.org Website: http://www.milkbg.org

Association of Meat Processors in Bulgaria
Shipchenski Prohod Blvd. 240 ent. A floor 3, Sofia Bulgaria
Address for correspondence Post Box 61 AMB Sofia 1111 Bulgaria
Tel: (359) 2-971-2671 Fax: (359) 2-973-3069
E-mail: office@amb-bg.com Website: https://www.amb-bg.com/